

Message Text

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PAGE 01 JAKART 05181 220929Z

ACTION EB-08

INFO OCT-01 EA-07 ISO-00 ERDA-05 AID-05 CEA-01 CIAE-00

DODE-00 FPC-01 H-01 INR-07 INT-05 L-03 NSAE-00

NSC-05 OMB-01 PM-04 USIA-06 OES-06 SP-02 SS-15

STR-04 TRSE-00 ACDA-07 FEA-01 OPIC-03 XMB-02 /100 W

-----222247Z 062470 /72

R 220842Z APR 77

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 611

INFO AMEMBASSY SINGAPORE

AMEMBASSY TOKYO

AMCONSUL MEDAN

AMCONSUL SURABAYA

USDOC WASHDC

LIMITED OFFICIAL USE JAKARTA 5181

E.O. 11652: N/A

TAGS: ENRG, ID

SUBJECT: DOW PETROCHEMICAL PROJECT

REF: JAKARTA 4860

1. MEETING APRIL 18 BWTWEEN DOW CHEMICAL AND GOI TO DISCUSS NORTH SUMATRA PETROCHEMICAL PROJECT (REFTTEL) CONCLUDED WITH NO RESULTS ACHIEVED. BOTH SIDES WILL RETURN TO THEIR DRAWING BOARDS AND MEET AGAIN AT UNSPECIFIED FUTURE DATE. DOW OFFICE HERE REPORTS GAP BETWEEN TWO POSITIONS REMAINS "WIDE" BUT NOT IRRECONCILABLE.

2. DOW'S PRESENTATION TO GOI SPECIAL INTERMINISTERIAL TEAM STRESSED "MARGINALITY" OF PROJECT GIVEN REDUCTION IN OUTPUT TO 600,000 LBS/YR OF ETHELENE. DOW CONTINUED MAINTAIN THEY WILL NEED RELIEF AGAINST IMPORTS IN ORDER TO DEVELOP LOCAL MARKET FOR PETROCHEMICAL BY-PRODUCTS.

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GOI RESPONSE WAS NON-COMMITAL. DOW ALSO SUGGESTED BOTH SIDES REVIEW FINANCING ARRANGEMENTS BECAUSE OF REDUCED SCALE OF PROJECT. GOI AGREED TO DO THIS. DOW PROPOSALS ON VARIOUS OTHER TECHNICAL ISSUES, E.G., OPERATION OF UTILITIES, WERE LEFT WITH GOI TEAM FOR STUDY AND REPLY.

3. AS ANTICIPATED, QUESTION OF NATURAL GAS FEEDSTOCK PRICE CAME UP. DOW WAS INFORMED GOI WOULD MAKE GAS AVAILABLE AT \$1.50 PER MCF OR ROUGHLY MARKET PRICE. AS NOTED PARA 3 REFTTEL, THIS IS FAR HIGHER THAN LEVEL DOW HAD BEEN CONTEMPLATING. DOW FINDS IT DIFFICULT TO UNDERSTAND WHY GOI, WHICH HAS ACCORDED PROJECT PRIORITY STATUS, IS APPARENTLY NOT INTERESTED IN PROVIDING GAS AS CHEAPLY AS POSSIBLE IN ORDER TO ENSURE COMPETITIVE EDGE. DOW IS REVISING ITS ECONOMIC PROJECTIONS BASED ON THESE FEEDSTOCK PRICES AND INTENDS SUBMIT ALTERNATIVE PRICING PROPOSAL.

4. COMMENT: BOTH SIDES ARE CLEARLY IN NEGOTIATING POSTURE ATTEMPTING STRIKE BEST DEAL POSSIBLE. IT WOULD BE PREMATURE TO PREDICT OUTCOME AT THIS POINT GIVEN WIDE RANGE OF VARIABLES AT PLAY WHICH COULD HAVE IMPACT ON PROJECT. END
NEWSOM

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MEETING REPORTS, BUSINESS FIRMS, PROGRAMS (PROJECTS)
Control Number: n/a
Copy: SINGLE
Sent Date: 22-Apr-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Litigation History:
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TAGS: ENRG, ID, DOW CHEMICAL
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